The current recession

Business

Over the last couple of years, the world has witnessed an unprecedented market crash among various stock markets in the world. The US has also not been spared with the recent recession finding its epicenter on the floors of the largest stock markets in the world at the US. Its effects have rippled all over the globe with catastrophic effects being felt in the US. According to the National Bureau of Economic Research of the US, the country has been going through a recession from December 2007 with the recession reaching its peak at the September of 2008.

The recent market crashes in the past seven or so have greatly been attributed to the reckless unsustainable lending habits of various financial institutions. The US house market correction and a possible sub-prime mortgage crisis have also been considered as some of the main culprits for the recession. True to every recession, the stock market is the most affected because this is where the main industrial players are (Cohan, 2009). The current recession has not spared private consumption which reports have shown it is in a 20 year low. This confirms the severity of the situation.

Consumers in the US have seen a significant drop in their mortgage values and most of their wealth beng eroded by the severe market crashes. The job market has also been affected with statistics showing that in February 2008 alone, 63, 000 jobs were lost. This staggering figure eclipsed the number of jobs lost in the preceding 5 years to 2008. Alan Greenspan who was a former Federal Reserve chairman had warned of that the US had a 50-50 chance of going into or escaping recession. In October that year, a report by the Bureau of Economic Analysis reported an astonishing loss of approximately 156, 000 jobs in September alone.

This was however, not the end of (Cohan, 2009). At November, 2008 due to the high running costs fueled by the recession, employers relieved 533, 000 jobs off their list in order to survive through this unprecedented crisis. This was to go down in history as being the largest job loss in more than 34 years. The numbers of losses in jobs for the whole 2008 period totaled to 2. 6 million.

Moody’s corporation a financial research and analysis company declared 9 states to be in recession on April 29, 2008 (Wood, 2009). The year 2009 saw a continuation of what was happening in 2008. The unemployment rates had grown to 8. 5% by March, 2009 which translated to the loss of 5. 1 million jobs since the start of the maarket crash back in December, 2007.

The stock exchange market grew by only 1% in June, 2008. This figure however declined during the third quarter of 2008 to 0. 5% which was the largest decline since the 200 recession period. The consumer’s spending power feel for an all time low since 1950 by 6. 4 percent.

Oil prices had in January 2008, surpassed the $100 per barrel mark which is the highest in history. This was not the end of it, as by fall of July, 2008 the price had reached an all time high of $147. 30 a barrel. This market crash had the overall effect of dramatic drop in prices and demand. January of 2008 was regarded as the worst period in the US stock markets.

Implied volatility measures in the S&P 500 index surged dramatically with this period being referred to as “ The Great Moderation”. The US government has tried its level best to put up measures in order to counteract the market crash. The Federal Reserve doubled its Term Auction Facility to a tune of

$300 billion with the main aim of increasing available funds for commercial banks. This would also have the effect of lowering Fed Funds rates. Since there was a reduction in U. S dollars in Europe, the bank also decided to inject $620 from an initial figure of $290 (Cohan, 2009).